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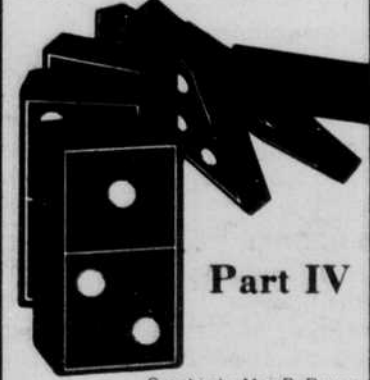


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The economics of diversification



Part IV

Graphic by Max DeRungs

opposition as to just how the process of diversification should be approached.

Experts agree that diversification is necessary to lessen Eugene's dependence on the lumber industry. As unemployment statistics point out, Lane County's economy has long been riding the roller coaster of the lumber industry.

When housing starts are up, the local economy booms. But when high interest rates slow down those starts — like right now — Eugene's economy falls flat on its face.

Margaret Hallock of the State Employment Division says layoffs in the lumber industry have far-reaching ramifications on the entire economy. Although jobs in that industry only account for 13-15 percent of the entire employment picture in the county, they hurt business in related fields. For example, businesses such as machine shops (part suppliers for lumber factories), paper mills, chemical industries (which make adhesives for wood products), and even transportation companies feel the ill-effects of a slow down in the lumber industry, she says.

"Lane County's economy had been growing throughout the '70s until the last couple of years," Hallock says. "We have to stimulate other growth for this trend to continue into the '80s."

One group intent on reversing Lane County's dependence on wood products is a coalition of local businessmen who call themselves the Lane Economic Foundation. LEF is a county-wide, privately-funded organization that wants to bring new industry — probably from out-of-state — into the Eugene area.

LEF plans to provide a professional

Can Eugene diversify?

Almost everybody agrees: the Eugene area desperately needs to diversify its economy.

But that's where the agreement ends. Eugene's business community and political leaders are in sharp

economic-development plan for Lane County — expected to cost \$500,000 annually for three years — to bring new businesses into the area.

"Only an affluent community can do the things we want to do here," says LEF's executive vice-president John Alltucker. "We must do something about the economic base or we can't improve socially."

The first step LEF plans to take is to bring in a nationally-established firm to conduct a county-wide economic audit. The audit will outline the good and bad points of the county and isolate the types of businesses and industry that would be most suited to the region. Results from the audit, expected to cost \$40,000-\$50,000, should be available by the first of April.

LEF president Tom Moreland says he wants a firm from outside of the state to perform the audit because "we need someone who will not feel intimidated to be blunt."

Jim Reinmuth, LEF's secretary and dean of the University's business school, says economic diversification can best be achieved by bringing 'high tech' industries into the region. He says instrument manufacturers, computer and electronic firms are the most likely candidates to locate here.

Reinmuth says the University can assist in LEF's process of attracting new industry by "simply supplying information on what the economic base is in Eugene and to demonstrate to firms it wants to assist them."

Reinmuth contends another problem the county faces in trying to attract new industry is lack of support from local political leaders. He says he knows of at least 30 national firms who have "seriously investigated the Eugene area" over the last two years, some of these deciding not to locate here because the "political climate was not supportive or conducive to them."

"Some of them (industry officials) I've talked to said the degree of political support here was less than desirable," Reinmuth's comments brought a

heated response from Lane County Commissioner Jerry Rust.

"Everybody wants to place the blame on somebody else. The current thinking is to blame politicians or the environmentalists," Rust says.

"I place the blame in the heart of the business community. They are greedy, short-sighted and narrow-minded. I have the utmost contempt for industries with a 'cut and run' mentality... (and) the Chamber of Commerce, who sold out this region. They are the ones who brought this community to its knees."

Another county commissioner, Scott Lieuallen, agrees with Rust. Lieuallen says the current economic climate has caused many people to look for a scapegoat, and many are labeling local politicians as having a "no growth" attitude.

Both commissioners say they would rather see small businesses receive support than to invest in large national corporations. "Small businesses are job generators," Lieuallen says. "Big businesses do not create all that many jobs."

"It's time we get the stars out of eyes," Lieuallen says about trying to woo out-of-state industries into the area.

Instead of bringing in large industries from outside of the region, Lieuallen says "we ought to take whatever resources and money are available in the local economy and work with that."

"It's time to ask local lenders 'How come you're not investing in Lane County?'"

But regardless of what kind of diversified industry will be targeted for Eugene — whether it be high-tech industries or small businesses — area residents want immediate results.

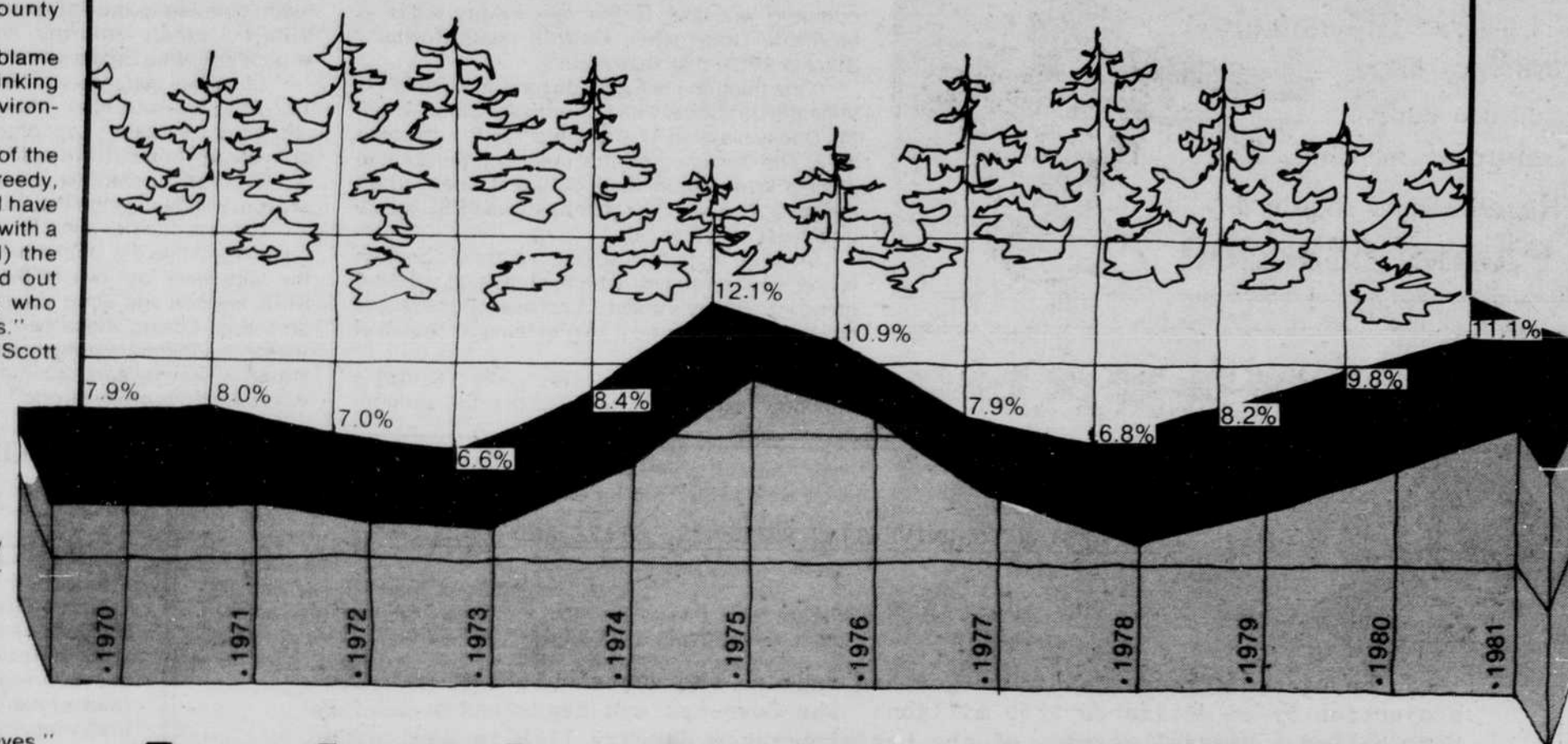
But Lane Economic Foundation president Tom Moreland says they'll just have to wait.

"They must be patient," he says. "It takes considerable time and effort to put new industry in place."

Story by Don Coulter Graphic by Max DeRungs

LANE COUNTY UNEMPLOYMENT

BASIC DATA: State of Oregon Employment Division, Dept. of Human Resources, Research and Statistics



Analyst backs small business

WITH A NAME like "Thinking Incorporated," one might imagine this Eugene business to be a collective of philosophers.

Actually, Thinking Incorporated analyzes the capabilities of small businesses and attempts to locate financial backing for them, says Peg Powell, a Chartered Life Underwriter who started the business in 1973.

With her extensive accounting background, Powell says it was only natural that she start the business.

"I just started charging for my knowledge, instead of giving free advice," she says.

"Just about everyone is looking to tighten their ship," she says. "I think they realize they can't always do it themselves."

That economic climate will improve with the "cooperation and understanding" of the county, city and most importantly, the

financial institutions, she adds.

"The banks are going to have to get together and form a cooperative so no one bank is taking all the risk."

Organizations such as the Lane Economic Foundation, a local group organized to develop and diversify the county's economy, are "on the right track," Powell says.

NATIONALLY, Reaganomics, Pres. Ronald Reagan's program of tighter money policies and tax cuts designed to reduce inflation and to increase long-term investment, also may be on the right track, he says.

Powell says businesses lose incentive if government policy provides everything for them.

"It makes them helpless cripples. We need to help only those who can't help themselves."

The predominate mistake small businesses make is "they start a new business under-capitalized and do not keep good records so they have no idea of where they are at any given point," Powell says.

FOR AN AVERAGE cost of \$500, Powell will help any business — from manufacturing to service-oriented agencies — keep better records and arrange funding.

She likens her consultations to an insurance plan.

Finding financial backing for her clients sometimes is tough, but usually Powell says she usually can locate funding for at least prime rate — that interest rate banks charge their best customers. In Eugene, that rate is approximately 17 percent.

"If there's no real estate, we usually get prime rate and better," she says.

Story by Marian Green

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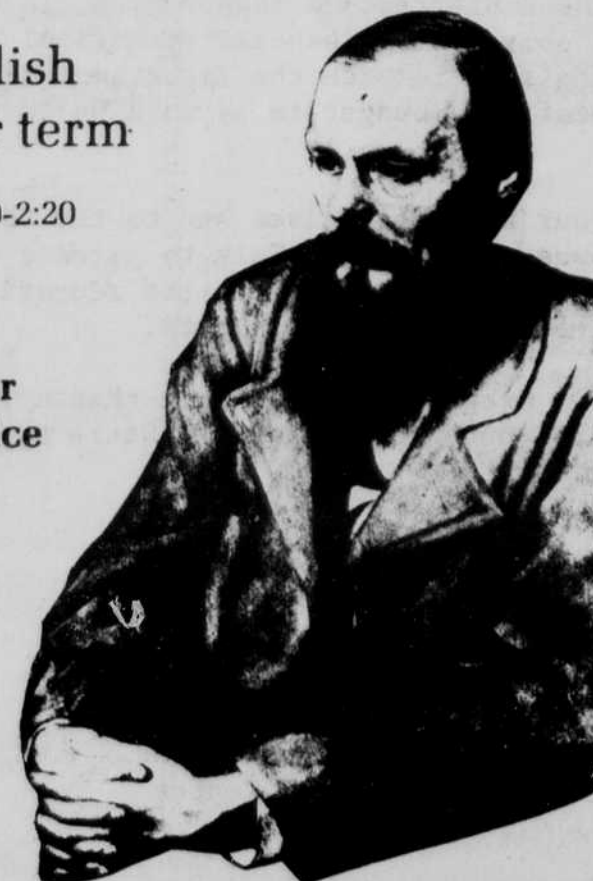
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